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DEC 22 1993

December 22, 1993

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

TO: Secretary of the Federal Communications Commission

FR: James Bradford Ramsay
Deputy Assistant General Counsel
National Association of Regulatory Utility Commissioners

RE: EX PARTE CONTACTS CONCERNING UNIVERSAL SERVICE

Today, I mailed on behalf of the National Association of Regulatory Utility Commissioners, the attached correspondence to the following FCC representatives:

- o Chairman Reed Hundt
- o Commissioner James H. Quello
- o Commissioner Andrew C. Barrett
- o Commissioner Ervin S. Duggan
- o William E. Kennard, General Counsel
- o Blair Levin, Chief of Staff
- o Merrill Spiegel, Special Assistant to Chairman Hundt
- o Karen Brinkmann, Special Assistant to Chairman Hundt
- o Ruth A. Dancey, Confidential Assistant to Chairman Hundt
- o Kathleen B. Levitz, Chief - Common Carrier Bureau
- o Gregory J. Vogt, Chief - Tariff Division
- o Kenneth Moran, Chief - Accounting and Audits Division
- o Peggy Reitzel, Attorney - Common Carrier Bureau
- o Jill Ross Meltzer, Attorney - Common Carrier Bureau
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- o Colleen Boothby, Attorney - Common Carrier Bureau
- o Barbara Esbin, Attorney - Common Carrier Bureau
- o Chuck Needy, Attorney - Common Carrier Bureau
- o Patrick Donovan, Attorney - Common Carrier Bureau

RM-8334

Accordingly, I am, pursuant to 47 C.F.R.1.1206(1), submitting, for the record, eighteen (18) copies of this letter - two (2) for each of the nine proceedings described below that could potentially be impacted by the suggestions in our correspondence:

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Amendment of Part 36 of The Commission's Rules and Establishment of a Joint Board - released for comment September 14, 1993.

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American Telephone and Telegraph Company Petition for the Establishment of Additional Standards to Govern Study Area Boundary Changes in Connection with the Transfer of Service Territories Between or Among Local Exchange Carriers - filed September 3, 1993.

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Petition for Rulemaking to Determine the Terms and Conditions Under Which Tier 1 LECs Should Be Permitted To Provide InterLATA Telecommunications Services - filed May 7, 1993.

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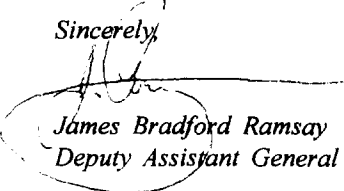
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Rochester Telephone Corporation's Petition for Waiver - filed May 20, 1993.

If you have any questions concerning either the attached letter or this memorandum, please do not hesitate to call me at 202-898-2207.

Sincerely,


James Bradford Ramsay
Deputy Assistant General Counsel

National Association of Regulatory Utility Commissioners

Incorporated

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Tennessee Public Service Commission
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PAUL RODGERS
Administrative Director
General Counsel

GAILE ARGIRO
Treasurer

December 22, 1993

Secretary
Federal Communications Commission
Washington, D.C. 20554

**Re: UNIVERSAL SERVICE ISSUES
A COLLABORATIVE APPROACH**

Dear Sir:

On November 1, 1993, MFS Communications Company, Inc. (MFS) filed a petition for a Notice of Inquiry (NOI) and en banc hearing to determine future policies for continuing to promote universal telephone service in a competitive market environment. Universal service issues have been raised in other proceedings pending before the FCC - including the FCC staff paper on access charge reform, the National Association of Regulatory Utility Commissioners (NARUC) petition for a NOI concerning access issues, the United States Telephone Association (USTA) petition for a rulemaking on access charge reform, Ameritech's petition for a declaratory ruling regarding its Customers First Plan, and the Joint Board Universal Service Fund proceedings. In compliance with the Commission's rules, two copies of the substance of this letter, are being filing in each of the nine current FCC proceedings most directly addressing universal service issues [See the Attached Appendix D].

In addition to these FCC proceedings, the Administration, NARUC, and several States are directly examining universal services issues. As I'm sure you know, the administration, through the National Telecommunications and Information Administration (NTIA), has stated principles for telecommunications and information policy in "The National Information Infrastructure: The Administration's Agenda for Action" (NII). The NII encompasses the goal of continuing and expanding the concept of universal service and NTIA has initiated forums to explore the related issues.

COMMITTEES OF THE ASSOCIATION FOR THE 1992-1993 YEAR

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 Walter T. Kelly, Minnesota OPS, Observer
 Patricia D. Perkins, Missouri PSC
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 Norman E. MacMurchy, Alberta PMC, Observer
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 Stephen T. Walker, Missouri DOT
 Cecil A. Bowers, South Carolina
 Jerome D. Block, New Mexico SCC
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 Frank E. Landis, Jr., Nebraska
 Joseph Jacob Simmons, III,* ICC
 Gail C. McDonald, ICC
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 Charles H. Hughes, North Carolina
 Robert M. Davis, Kentucky PSC
 David E. Ziegner, Indiana
 Jeremiah F. O'Connor, New Jersey
 Lila M. Sapinsley, Rhode Island
 Henry G. Williams, New York PSC
 Jan Cook, Alabama
 Mary Clark Webster, Massachusetts
 Luis Julian Laurodo, Florida
 Galen D. Denio, Nevada
 Thomas M. Dorman, Kentucky PSC
 David S. Williams, Illinois
 Betty Easley, Florida

*Member of the Executive Committee of the Association

Secretary

Federal Communications Commission

NARUC'S DECEMBER 22, 1993 WRITTEN EX PARTE PRESENTATION

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NARUC has also initiated a project, the Universal Service Working Group, to examine the evolving definition of universal service through a collaborative process among representatives of interested parties. In addition, most State policy makers are considering and investigating issues related to universal service within their individual States.

In response to the diverse forums addressing related issues, NARUC has passed a number of resolutions SUGGESTING AN OPEN COLLABORATIVE PROCESS AMONG STATE, FEDERAL, INDUSTRY AND NTIA TO ADDRESS THESE AND OTHER RELATED ISSUES. I've attached three of the most recent resolutions to this correspondence for your information and review. [See Appendices A, B, and C]

The most recent resolution, NARUC's Resolution on Recent Initiatives to Consider Universal Service Policies, passed last month at our annual meeting in New York, specifically addresses the MFS request in the context of multiple fora addressing the same or similar issues.

The MFS' position statement included in its petition articulates its views as to how universal service should be defined, what specific types of subsidy mechanisms should be adopted to promote those goals, and how the subsidy programs should be funded and administered. The petition suggests that position statement is intended as a framework to begin discussion of these issues and fully anticipates other parties will offer divergent views on some issues and identify other issues not addressed in MFS' statement. According to the resolution, NARUC has identified several issues related to universal service which MFS has not addressed, including, but not limited to, the following:

- o Whether universal service policies should promote universal affordability of some services and universal availability of other services;
- o What measures of universality (e.g., percent of subscribers) should be used to determine whether universal service policies have been met;
- o How privacy issues may affect universal service policies;
- o How universal service policies should balance costs against economic and social benefits of services; and
- o How the various policy makers can best coordinate their efforts in developing and implementing universal service policies, to ensure nationwide implementation while minimizing overlap or duplication of subsidies; now, therefore, be it

Secretary

Federal Communications Commission

NARUC'S DECEMBER 22, 1993 WRITTEN EX PARTE PRESENTATION

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The resolution goes on to note the following:

- o NARUC "SUPPORTS A COMPREHENSIVE REVIEW OF THE CONCEPT OF UNIVERSAL SERVICE AND ISSUES RELATED TO THE CONTINUATION AND EXPANSION OF UNIVERSAL SERVICE;"*
- o "[S]HOULD THE FCC ISSUE A NOI IN RESPONSE TO THE MFS PETITION, THE NOI SHOULD ADDRESS ALL UNIVERSAL SERVICE AND RELATED ISSUES IN LIEU OF A MORE LIMITED NOI THAT WOULD FOCUS PRIMARILY ON THOSE ISSUES RAISED BY MFS;" AND FINALLY,*
- o NARUC "ENDORSES THE USE OF A COLLABORATIVE PROCESS WITH THE FCC, NTIA, AND ALL INTERESTED PARTIES IN ORDER TO ADDRESS AND REFINE THE CONCEPT OF AND ISSUES RELATING TO UNIVERSAL SERVICE."*

NARUC recognizes and appreciates the FCC's recent efforts to expedite Federal-State Joint Board actions and the acknowledgment of valid State concerns with respect to access reform contained in the August 1993 cover letter for the FCC Staff access white paper from all three serving FCC Commissioners to certain NARUC State commissioner members of the NARUC Communications Committee.

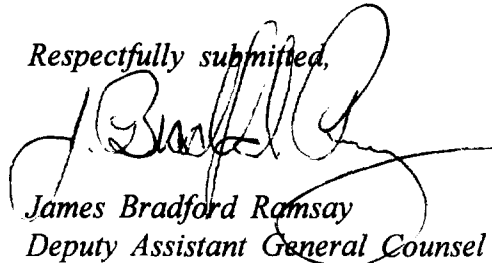
In light of these valid State concerns, we respectfully request that the Commission carefully consider the requests outlined in this letter the attached resolutions and begin immediately to develop a mechanism for a cooperative approach to address the issues raised in the above-captioned proceedings.

**Secretary
Federal Communications Commission
NARUC'S DECEMBER 22, 1993 WRITTEN EX PARTE PRESENTATION**

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Of course, if you have any question about this letter, or any other NARUC position, please do not hesitate to call me at 202-898-2207.

Respectfully submitted,



*James Bradford Ramsay
Deputy Assistant General Counsel*

cc: *Chairman Reed Hundt
Commissioner James H. Quello
Commissioner Andrew C. Barrett
Commissioner Ervin S. Duggan
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Barbara Esbin, Attorney - Common Carrier Bureau
Chuck Needy, Attorney - Common Carrier Bureau
Patrick Donovan, Attorney - Common Carrier Bureau
ITS, Inc., FCC's Copy Contractor*

WHEREAS, *MFS Communications Company, Inc. (MFS) on November 1, 1993, filed a petition with the Federal Communications Commission (FCC) for a Notice of Inquiry (NOI) and en banc hearing on an accelerated basis to determine future policies for continuing to promote universal telephone service in a competitive market environment; and*

WHEREAS, *Issues relating to universal service have been raised in other proceedings pending before the FCC including the FCC staff paper on access charge reform, the National Association of Regulatory Utility Commissioners (NARUC) petition for a NOI concerning access issues, the United States Telephone Association (USTA) petition for a rulemaking on access charge reform, Ameritech's petition for a declaratory ruling regarding its Customers First Plan, and revisions to the Universal Service Fund (USF) before the Joint Board; and*

WHEREAS, *The Administration through the National Telecommunications and Information Administration (NTIA) has stated principles for telecommunications and information policy in "The National Information Infrastructure: The Administration's Agenda for Action" (NII); and*

WHEREAS, *The NII encompasses the goal of continuing and expanding the concept of universal service for the next generation and NTIA has initiated forums to explore the issues relating to universal service; and*

WHEREAS, *The NARUC has initiated a project to examine the evolving definition of universal service through a collaborative process among representatives of interested parties; and*

WHEREAS, *State policy makers are considering and investigating issues related to universal service within their individual States; and*

WHEREAS, *MFS' position statement included in its petition articulates its views as to how universal service should be defined, what specific types of subsidy mechanisms should be adopted to promote those goals, and how the subsidy programs should be funded and administered; and*

WHEREAS, *MFS indicates its position statement is intended as a framework to begin discussion of these issues and fully anticipates other parties will offer divergent views on some issues and identify other issues not addressed in MFS' statement; and*

WHEREAS, *The NARUC has identified several issues related to universal service which MFS has not addressed, including, but not limited to, the following:*

- o Whether universal service policies should promote universal affordability of some services and universal availability of other services;*
- o What measures of universality (e.g., percent of subscribers) should be used to determine whether universal service policies have been met;*
- o How privacy issues may affect universal service policies;*
- o How universal service policies should balance costs against economic and social benefits of services; and*
- o How the various policy makers can best coordinate their efforts in developing and implementing universal service policies, to ensure nationwide implementation while minimizing overlap or duplication of subsidies; now, therefore, be it*

RESOLVED, *That the National Association of Regulatory Utility Commissioners, convened at its 105th Annual Convention in New York, New York, supports a comprehensive review of the concept of universal service and issues related to the continuation and expansion of universal service; and be it further*

RESOLVED, *That, should the FCC issue a NOI in response to the MFS petition, the NOI should address all universal service and related issues in lieu of a more limited NOI that would focus primarily on those issues raised by MFS; and be it further*

RESOLVED, *That the NARUC endorses the use of a collaborative process with the FCC, NTIA, and all interested parties in order to address and refine the concept of and issues relating to universal service; and be it further*

RESOLVED, *That the NARUC General Counsel and staff shall take appropriate actions in all applicable forums that are necessary to carry out the objectives of this resolution.*

WHEREAS, In September 1993, the White House released its goals for telecommunications and information policy, "The National Information Infrastructure: The Administration's Agenda for Action" (NII); and

WHEREAS, The NII initiative contains nine guiding principles including: (1) promotion of private sector investment; (2) expansion of the "universal service" concept to include information services; (3) promotion of technological innovation and new applications; (4) promotion of a seamless, interactive, user-driven operation of the NII; (5) assurance of information security and network reliability; (6) improved management of the radio frequency spectrum; (7) protection of intellectual property rights; (8) policy coordination with other levels of government and with other nations; and (9) access to government information and improved government procurement; and

WHEREAS, The NII proposes that the Administration and Government will operate as a partner with the private sector via the establishment of an Information Infrastructure Task Force (IITF) to focus on telecommunications policy, information policy, and user applications; and

WHEREAS, The NII proposes the creation of the "United States Advisory Council on the National Information Infrastructure" consisting of 25 members from outside the Federal government; and

WHEREAS, The NII proposes to strengthen & streamline Federal agencies responsible for communications & information policy making; and

WHEREAS, One goal of the NII is to continue and expand the concept of universal service for the next century; and

WHEREAS, The National Association of Regulatory Utility Commissioners (NARUC) has initiated a project to examine the evolving definition of universal service through a collaborative process among various NARUC Committees and among representatives of interested constituencies; and

WHEREAS, The National Telecommunications and Information Administration has invited NARUC to participate in a November 19, 1993, planning summit for the NII; now, therefore, be it

RESOLVED, That the National Association of Regulatory Utility Commissioners (NARUC), convened at its 105th Annual Convention in New York, New York, applauds the Administration for its efforts and leadership to develop policy goals for the provision of telecommunications and information services; and be it further

RESOLVED, That the NARUC looks forward to working with the Administration on the IITF and will provide any information and technical assistance possible to help achieve the goals outlined in the NII.

Sponsored by the Committee on Communications - Adopted November 17, 1993 - Reported NARUC Bulletin, No. 48-1993, p. 5

APPENDIX C - New Regulatory Proposals at the FCC

WHEREAS, Rochester Telephone, Ameritech, and other Regional Bell Holding (RBH) Companies have filed various petitions with the Federal Communications Commission (FCC) that propose new regulatory policies which they believe are necessary to respond to competition; and

WHEREAS, These petitions request that the FCC (1) certify to the MFJ court that the RBHs offering interexchange service is in the public interest; (2) grant various rule waivers pertaining to access categories; (3) allow zone (deaveraged) pricing; (3) modify the price cap formula to eliminate current pricing rules; (4) allow the recovery of subsidies via "bulk billing"; and

WHEREAS, granting these petitions could have major regulatory effects in both state & federal jurisdictions; therefore, be it

RESOLVED, That the Executive Committee of the National Association of Regulatory Utility Commissioners (NARUC), convened at its 1993 Summer Meeting in San Francisco, California, requests that the FCC and states should develop mechanisms to work cooperatively in addressing the issues raised in these petitions; and, be it further

RESOLVED, That if the FCC grants the necessary petitions and if plans move forward, the FCC should also introduce a monitoring mechanism that will collect technical, financial and market share information to enable the evaluation of these new regulatory policies; and be it further

RESOLVED, That the monitoring data be made available by the FCC over their electronic bulletin board to all states; and

Sponsored by the Committee on Communications - Adopted July 28, 1993 - Reported NARUC Bulletin, No. 32-1993, p.4.

MEMORANDUM

December 22, 1993

TO: *Secretary of the Federal Communications Commission*

FR: *James Bradford Ramsay*
Deputy Assistant General Counsel
National Association of Regulatory Utility Commissioners

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/s/ J. Bradford Ramsay

James Bradford Ramsay
Deputy Assistant General Counsel